Rx/OTC news

PHARMACY

# manufacturers' reps

new product information or display allowances, the rest of the time as much as 80% to 100% of our chain respondents were dissatisfied.

The study showed that while chains and independents were equally concerned over return good policies, invoice dating terms and new product information (the three areas each group ranked as most important to them), chains cared more about getting information on external promotional programs like manufacturer initiated consumer ad campaigns and co-op advertising allowances while independents cared more about internal marketing supports like case allowances and display materials.

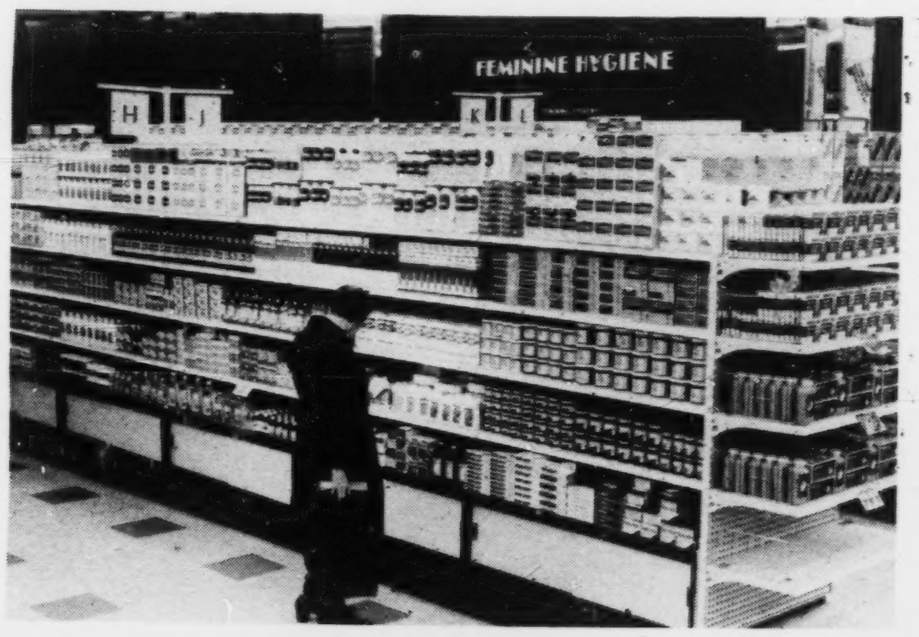
The overall low levels of satisfaction were particularly evident when it came to the important area of receiving visits from manufacturers who were introducing new products.

Lebhar-Friedman Research, which did the study for *Drug Store News*, asked buyers about rep visits for 10 randomly selected new products that had been launched within the recent year.

Only two company salesman were rated "extremely satisfactory" by more than a third of the OTC buyers interviewed: Whitehall and McNeil.

In terms of actual rep visits, only seven of the 10 companies examined managed to get to 50% or more of our respondents in the course of a specific new product launch. Alcon, during the introduction of Opti-Cleaners, Coopervision, during the introduction of Hypo Tears, and Allergan, during the introduction of Lensept, did *not* make it to more than 47% of our total sample.

All three of these companies, however, did make it to more than 50% of the chain buyers. Their low overall visit frequencies were dragged down by the infrequency of their visits to independents. Allergan, for instance, only reached 13% of our independent buyers during the launch of Lensept.




## Product introduction

Ciba-Geigy with Accutrim, Bristol Myers with Nuprin, Warner Lambert with Mediquell, Whitehall Labs with Advil and McNeil with Tylenol Caplets did the best job of reaching the chain buyers during their recent new product launches. Reps from these companies managed to visit at least 87% of all the chain buyers interviewed.

Ciba-Geigy, with both Accutrim and Slo-Fe, did the best job of reaching the independents with rep visits. Nearly 7 out of every 10 independents interviewed reported seeing a Ciba rep during those two specific new product launch periods.

**Buyer Dissatisfaction Scale**

(% of buyers somewhat or not at all satisfied)

| Services | % all respondents | % chains | % independents |
|---|---|---|---|
| Return policies | 87 | 78 | 96 |
| Invoice dating terms | 74 | 52 | 100 |
| New product information | 63 | 45 | 81 |
| Ad & promotions | 72 | 60 | 93 |
| Case allowances | 79 | 70 | 93 |
| Regional market share | 82 | 70 | 100 |
| Coop allowances | 73 | 67 | 85 |
| Consumer rebate programs | 73 | 50 | 100 |
| Display allowances | 80 | 79 | 81 |
| Product movement info | 76 | 69 | 89 |
| Consumption patterns | 79 | 69 | 100 |
| Cents-off coupons | 74 | 61 | 81 |
| Planogramming info | 84 | 70 | 100 |
| Display materials | 89 | 80 | 93 |
| National market share info | 94 | 91 | 100 |

*Source:* Drug Stores News *OTC Buyer Survey*

Bristol Myers with Nuprin, Whitehall Labs with Advil and Pennwalt with Corsym also did a decent job visiting the independents. At least 57% of our independent respondents reported seeing reps from these companies during the launching of the new products we specifically named.

In terms of pleasing buyers by giving them all the information they desired during the course of their visits, Whitehall Labs, Ciba-Geigy, Warner Lambert, McNeil and Pennwalt did the best job overall. These companies succeeded in pleasing all buyers during the course of their visit to the point that at least 6 out of 10 buyers reported being

*(Continued on page 41)*

Packages adaptable to shelf or J-hook display.

# line of topical oral analgesics*

**High profit**
The up to 50% profit on every unit sale is hard to beat! It's a real important contributor to HBA profits.

**Act now!**
**Extra promotional allowances available.**

Take advantage of Orajel's lucrative promotional programs.

Call your wholesaler, Commerce Drug representative or Larry Owens, Sales Department.
Special Watts number 1-800-645-4664 (outside N.Y.)

* Source: Leading independent Audit Service: Drug/Food—12 mo. unit sales ending January/February 1985.

# that gives you the best bottom line!

© 1985, Commerce Drug Co., Inc., Div. Del Laboratories, Inc.

# Reps favor chain visits for product launches

*Continued from page 39*

"very or extremely" satisfied.

They also did the best job with independents, at least 4 out of 10 buyers say they were "very or extremely" satisfied with reps from these companies.

Some companies, however, like Coopervision with Hypo Tears and Alcon with Opti-Cleaners pleased less than 2 out of every 10 independent buyers and just 4 or 5 of every 10 chain buyers.

## Product mix

According to the study, chains and independents both try to stock a broad variety of OTC products to give their customers as much of a selection as possible. Chains were a little more likely than independents to stress variety in their mix while independents were a little bit more likely to stock only the major three to five brands in each of the dominant OTC product categories.

Oddly enough, however, the independent OTC buyer was more likely than the chain buyer to use an everyday competitive pricing strategy to bring in customers. Fifty-seven per cent of all independent responses agreed with the statement "we stay competitive with other drug stores in our market" compared to just 40% of all chains.

Chains, however, were four times as likely to use low promotional prices to lure in customer traffic. Some 43% of the chain respondents said that they relied on sales and low promotional prices to attract traffic rather than staying competitive overall with other stores in their market. Only 10% of the independents followed that strategy. No one had a "we are never undersold policy," and independents were twice as likely as chains to use their full-service features to justify that pricing.

## Advertising

Print ads were an important vehicle for OTC advertisers. In print ads which featured OTC products, those OTC brands advertised constituted an average 43.2% of all the products featured.

The ads run by drug chains tended to be larger than ads run by independents and to numerically feature more OTC products. But, the independents in their ads gave the OTC category a more important role: 51.3% of all products in an average independent ad were OTC items compared to just 36.3% for all products in an average chain ad.

The average drug chain tended to mention 84.2 products in their typical ads while the average independent ads generally totaled about 36 products. Of the 84 products featured in an average chain ad, some 22 or 36% were OTC items while for those average independent ads which featured 36 products, some 15 or 51% were OTC items.

## Store detailing OTC's

Chains were certainly the most frequent promoters of OTC. Fifth-three per cent of all buyers said they advertised OTC items once or twice a week compared to 37% of all independents. A third of all chains and all indys, however, did promote OTC's at least once or twice a month.

## Sales performance

Most of the respondents in the survey reported that sales in their OTC departments had increased in the last two years. Only 5% reported a sales decrease and only 10% said sales were flat. The remaining 85% said sales were up.

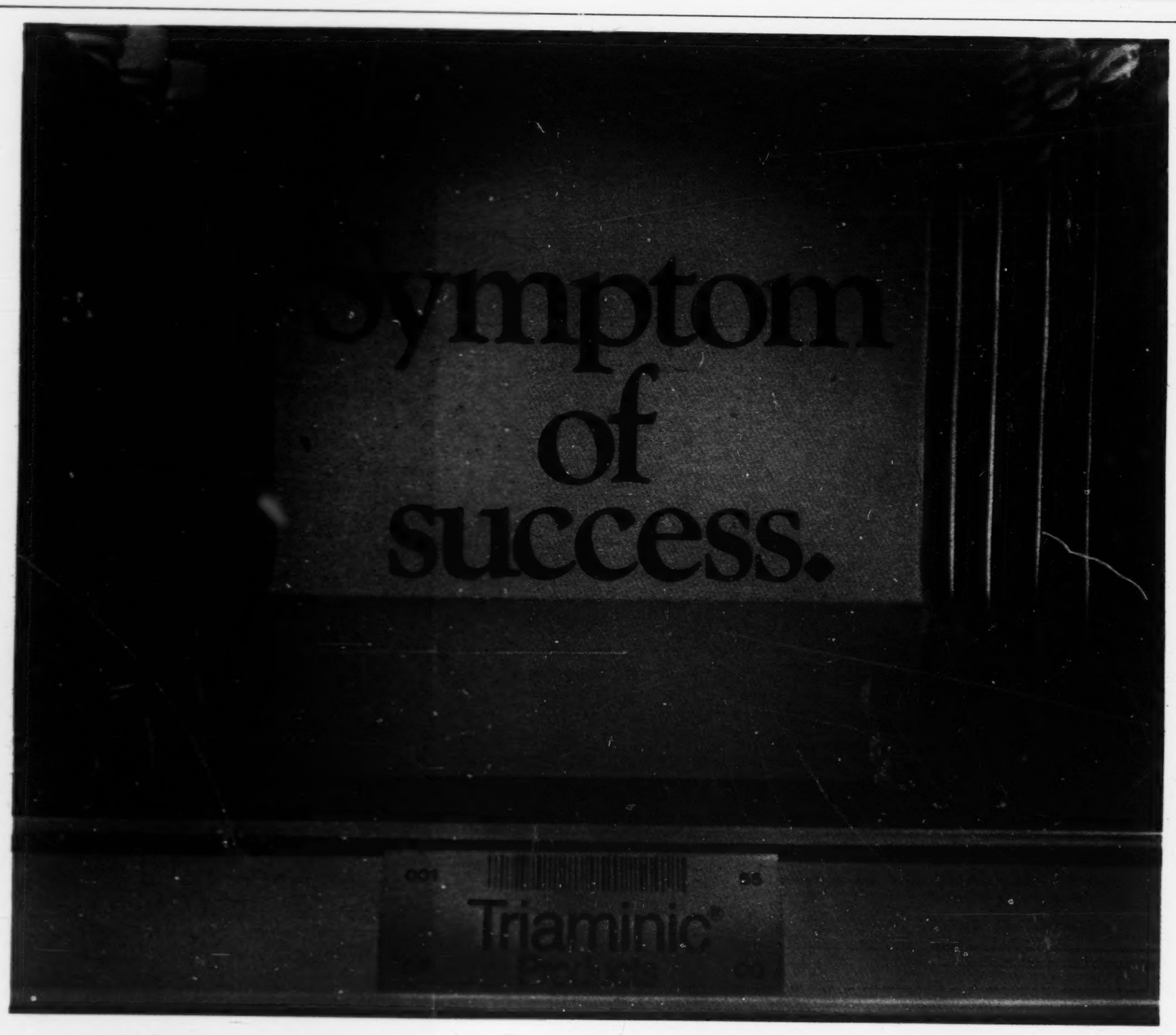
The average sales increase reported by OTC buyers for the past two years was 11%. Buyers cited a number of reasons why they believed sales had climbed. Four out of 10 said it was because of pricing strategies. Many buyers said that in those cases where they

*Continued on page 42*

***Preferred frequency of OTC rep visits***

| Desired frequency of visits | % chain respondents | % independent respondents |
|---|---|---|
| Monthly | 63 | 57 |
| Every 2 to 3 months | 27 | 17 |
| Every 4 to 6 months | 10 | 13 |
| Annually or less | 0 | 13 |

*Source:* Drug Stores News *OTC Buyer Survey*




Make sure to stock up.

Pediatricians recommend the Triaminic® brand more times per week than any other OTC cough and cold brand. And our Cold Syrup is already the #1 cold liquid preparation recommended by pharmacists.*

We're advertising heavily, too. On daytime and prime time network and spot TV. In free-standing inserts, newspapers, and on the radio. And we're backing up our consumer advertising with substantial support in professional journals and direct mailings.

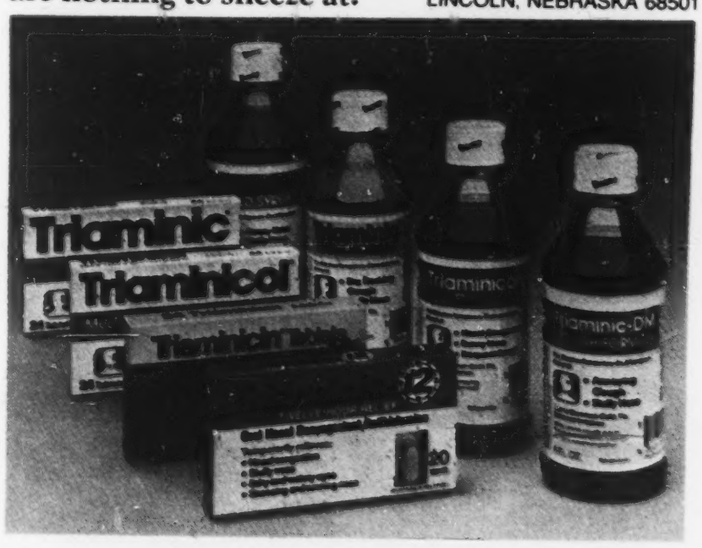
In our biggest promotion yet, we've cuddled up with the Care Bears® via prepack floor displays in stores nationwide. We are even giving out 4 million professional samples.

We also offer many trade allowances. Like extended dating, 8⅓% off-invoice allowances. Plus co-op and display allowances.

And since 1981, the drugstore sales growth of Triaminic® products has almost doubled that of the cough/cold category.

So remember to keep plenty of Triaminic® Liquids and Tablets at your customers' nose level this season. Because high profits are nothing to sneeze at.

Dorsey® LABORATORIES
Division of Sandoz, Inc.
LINCOLN, NEBRASKA 68501




For complete details write to Dorsey Laboratories, Division of Sandoz, Inc., Lincoln, Nebraska 68501.

*Data on file, Dorsey Laboratories. 09852

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Rx/OTC news

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# Buyers agree: Ads, promos boost OTC sales

(Continued from page 41)

had lowered prices, turns had increased, building volume. They also pointed out that price increases on less sensitive products like athlete's foot powders had helped to build average overall category sales.

Thirty-seven per cent of the buyers also thought that better advertising and stronger promotions had also helped to improve sales. Just 20% felt the increases were due to product introductions and just 10% atributed them to having larger stores in which to stock more inventory and therefore sell more product.

Independents, however, were more likely than chains to attribute category growth to larger inventories and more stock on hand. Chains felt their sales increases were more likely due to better advertising and promotions as well as to new product introductions.

Store detailing OTC's

Chains also mentioned the development of newer and larger stores as other reasons for the category's growth. Newer stores and larger more attractively merchandised stores, they felt, created a more exciting and pleasant shopping environment for the consumer and that, in turn, they reasoned, led to higher sales.

Both independents and chains reported that OTC products accounted for almost a quarter of their total store sales. The average per cent of total sales, for both chains and indys was 22.7%.

## Space allocations

Five out of 10 respondents in the survey reported that store space for OTC products had increased in the past two years, almost proportionately with sales increases.

Only 5% of the respondents reported a diminishing of space, but 48% did report that space remained the same. For those reporting an increase, the average growth for the department was 8.5%. For chains, however, the average for space expansion was closer to 9.5%. Seven out of every 10 chain respondents reported that their OTC department expanded the past two years.

## Methodology

The *Drug Store News* OTC buyer study was done in the early summer of 1985. Independents were randomly selected from a list of over 7,000 high-volume establishments supplied by *Drug Store News*' sister division, Chain Store Guides. Chains were randomly selected from among the nation's 100 highest volume drug retailing companies.

Thirty-seven per cent of the responses came from companies generating between $16 million and $25 million a year in sales; 33% came from companies doing between $29 million and $75 million a year in sales; and 30% came from companies doing more than $100 million a year in sales. Among the independent respondents, 83% were doing between $500,000 and $1 million a year in sales while the remaining 13% were doing between $1 million and $2 million.

### Comparing OTC departments

| | Chain | Independent |
|---|---|---|
| Average number of sku's stocked | 6,400 | 3,800 |
| % of total dollar volume generated from OTC product sales | 24.6% | 21.0% |

*Source:* Drug Stores New *OTC Buyer Survey*

### OTC advertising frequency

| Ad frequency | % chains | % independents |
|---|---|---|
| Once or twice a week | 53 | 37 |
| Once or twice a month | 33 | 33 |
| Less than once a month | 7 | 30 |
| No response or no OTC ads | 7 | 0 |

*Source:* Drug Stores New *OTC Buyer Survey*


Changing weather means more cold sores. Stock up now with

HERPECIN-L®

Cold Sore Lip Balm. "It Works!"

Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Pharmacy Management Notebook

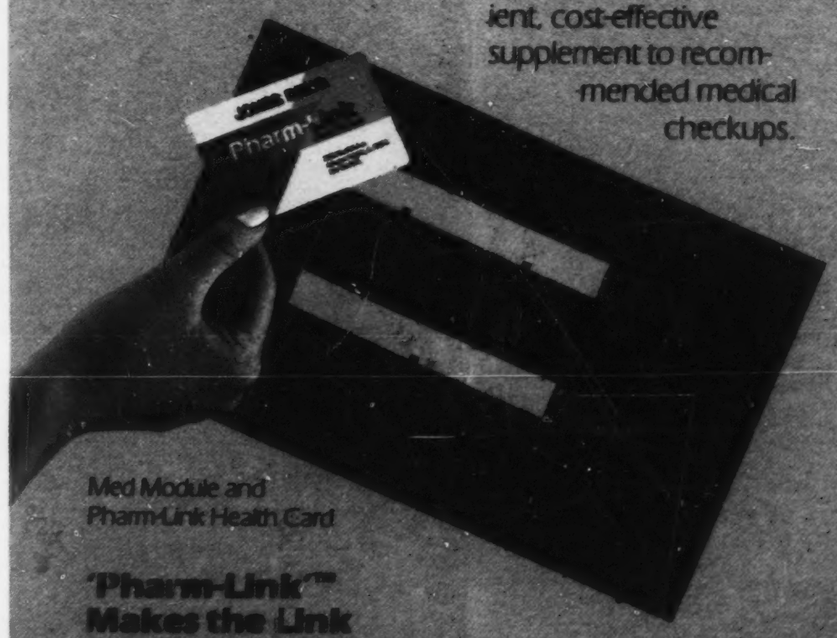
Linking Pharmacy, Patient and Physician to Improve Service, Increase Business

**Pharmacy as health care hub**

Pharmacy is evolving further as a hub for health care. As this trend develops, the pharmacist will benefit from increased professional contact with both patient and physician. The result: more store traffic, higher sales, improved profitability.

Two factors are converging to create this potential:

- the customer's growing concern for personal health,
- and the need for both individuals and third-party payers to reduce overall health care costs.



Med Module and Pharm-Link Health Card

**'Pharm-Link™ Makes the Link**

The nation's leading developer of pharmacy management systems has created a unique cluster of computer advances designed to position pharmacy as a key link in the health care chain.

Named 'Pharm-Link', this innovative concept ... from General Computer Corp. combines novel new developments with existing features of 'The Solution' pharmacy system to better serve patient and physician:

**Med Module™** — A free-standing, in-store module that electronically screens the patient for important vital signs: blood pressure, pulse, respiration and temperature. Results are displayed on a color screen and fed into the patient's medical profile in the pharmacy computer.

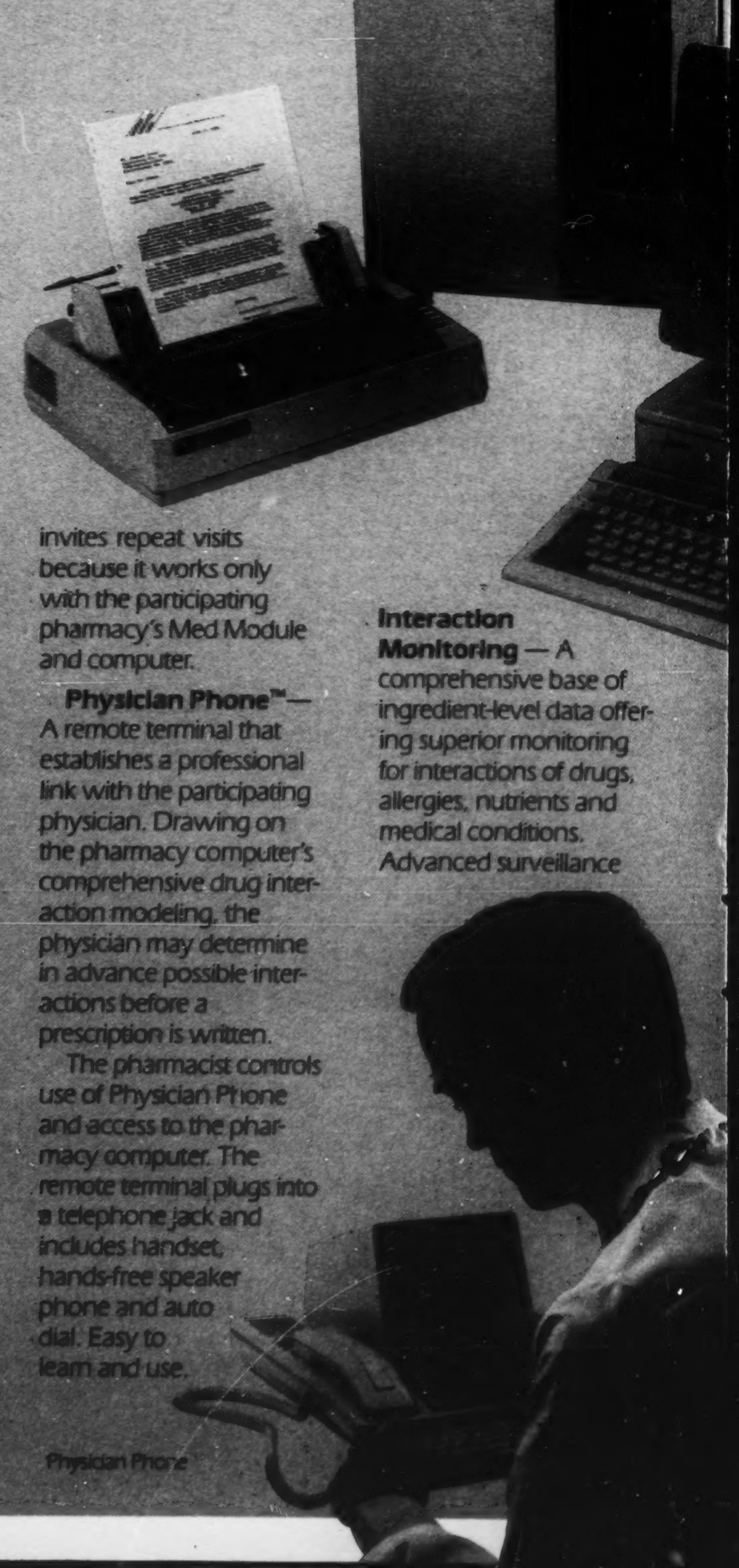
Med Module requires no attendant and gives the customer a convenient, cost-effective supplement to recommended medical checkups.

**Health Card** — A personalized card that activates the Med Module. Individualized bar codes identify the patient with confidentiality. Health Card distinctively displays the store name and ... invites repeat visits because it works only with the participating pharmacy's Med Module and computer.

**Physician Phone™** — A remote terminal that establishes a professional link with the participating physician. Drawing on the pharmacy computer's comprehensive drug interaction modeling, the physician may determine in advance possible interactions before a prescription is written.

The pharmacist controls use of Physician Phone and access to the pharmacy computer. The remote terminal plugs into a telephone jack and includes handset, hands-free speaker phone and auto dial. Easy to learn and use.

**Interaction Monitoring** — A comprehensive base of ingredient-level data offering superior monitoring for interactions of drugs, allergies, nutrients and medical conditions. Advanced surveillance



Physician Phone

C5150-2

**Merchandiser:**
*Competition sparks photo deals—p. 15*

**Beauty Beat:**
*'Tis the season to buy for Christmas—p. 19*

**Pharmacy:**
*Waxman warns drug prices hurt consumers—p. 31*


# DRUG STORE NEWS®

Vol. 7/No. 20 **Serving chains, wholesalers and high-volume independents for 56 years.** Published by Lebhar-Friedman Inc. September 16, 1985


## *Eckerd seeks friendly buyer*

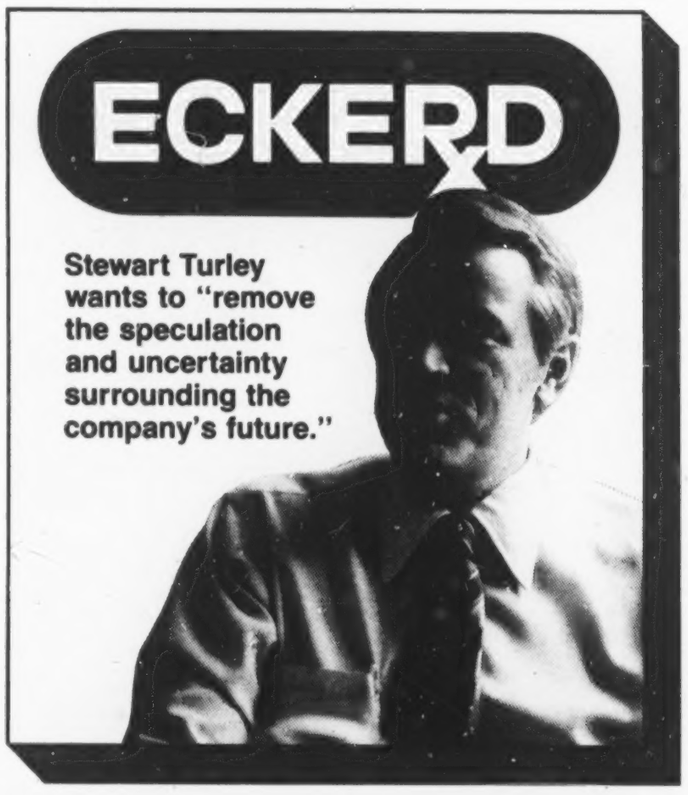
**By Marjorie Shaffer**

CLEARWATER, Fla. — After weathering a possible takeover by the Dart Group, the Jack Eckerd Corp., in a surprise move, said it was holding "preliminary conversations" with a small number of selected companies about a possible sale or merger of the 1,500-store Eckerd Drug chain. The company said it had retained Goldman Sachs & Co., to negotiate potential proposals.

At the same time, the company also announced that earnings from continuing operations for the fiscal year ended Aug. 3 would plummet 30% to between $56 million and $61 million. Last year the company earned $85.4 million.

Stewart Turley, chairman of the board and president, said Eckerd had been put on the block to "remove the speculation and uncertainty surrounding the company's future."

If Eckerd is sold, it would be the biggest prize in the history of the industry. Based on the current market, Eckerd could fetch $1.25 billion. Some analysts even believe that Eckerd could fetch as much as $40 per share, or $1.5 billion, or 35.8 million shares outstanding.



**Stewart Turley wants to "remove the speculation and uncertainty surrounding the company's future."**

Potential suitors include American Stores, Imasco and Safeway. Sources noted that K mart had dropped out of the fray because it still had to digest its acquisition among other things.

The intention to sell or merge Eckerd sur-

*Continued on page 55*

## *Walgreen buys Ribordy, 26-unit Indiana chain*

DEERFIELD, Ill. — Walgreen Co. has purchased the 26-unit Ribordy drug chain based in northwestern Indiana for an undisclosed cash amount. Last year Ribordy racked up an estimated $36 million in sales.

The acquisition leaves just two independent drug chains, Thornburg and Keltsch, which operate seven and 13 stores, respectively, in the state of Indiana.

The 30-year-old Ribordy drug chain is headquartered in Valparaiso—about a two-hour drive from Walgreens headquarters.

Ribordy operates 24 Ribordy Drug stores and two R-Way deep-discount drug stores in northern Indiana. Average store size is 13,500 sq. ft., but two are 17,000 sq. ft. and three are 14,000 sq. ft.

According to a Walgreens spokesman, the size of Ribordy's stores are a good fit for Walgreens, which average 10,000 sq. ft. Moreover, the spokesman said that the acquisition will provide Walgreens with access to several new markets, including South Bend, LaPorte and Rensselaer. Walgreens operates 27 drug stores throughout Indiana.

"We selected Walgreens over other chains because we feel that it is a good company, and we think it will do very well with our stores," said William Ausenbaugh, 57, executive vp of Ribordy and its co-founder. Ausenbaugh is one of four major stockholders in the company.

Asked why the chain decided to sell at this time, Ausenbaugh replied that "it seemed to be the right climate, and with the tremendous amount of consolidation occurring in the industry, it was a sensible business decision. The offer was very good."

Ausenbaugh, who started the chain 30 years ago with his college roommate, Denis Ribordy, president, also noted that northern Indiana was an "ideal market for Walgreens" because of its proximity to the industry giant's headquarters

*Continued on page 55*

## Centralized distribution is new tack for American

**By Lou Karney**

SALT LAKE CITY — In consolidating its three drug divisions—Osco, Skaggs and Sav-On—into a single super-drug chain, American stores is centralizing its distribution center.

The move to centralized distribution, following the acquisition of Jewel Companies in 1984, represents a 180-degree turn, since American's chairman, Sam Skaggs, has always been an advocate of supplying stores through drug wholesalers.

A security analyst who tracks the company says that Osco changed Skaggs' thinking. "Osco, the most profitable of the drug divisions, has been a centralized operation for years," the analyst said. "And Dick George, president of Osco—who in essence is the president of all the drug stores—is calling the shots."

At the core of the new alignment are four distribution centers that will supply drug store merchandise and pharmaceuticals to American drug stores.

Of the four centers, only the one in Payson, Utah, is a completely new facility being built from the ground up. The others are:

- An existing facility in Ponca City, Okla., which American is taking over.
- A 165,000-sq.-ft. addition to American's Sunrich Mercantile subsidiary in La Habra, Calif., which will replace its Anaheim distribution center in 1986.
- The existing Osco distribution center in Elk Grove Village, Ill.

It is estimated that Osco handles 80% to 90% of its in-

*Continued on page 56*

**Osco's Dick George**
*'. . . calling the shots'*

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**DRUG SYSTEMS, which operates 38 White Drug Enterprises stores, has agreed to purchase Pill & Puff, a Milwaukee-based chain of 21 H&BA stores, for an undisclosed amount. Drug Systems also operates 32 Wil-Car H&BA stores and franchises eight others. Vincent W. Dixon, president of Drug Systems, said the company plans to open 12 new Pill & Puffs in the next 18 months. Pill & Puff's current management will remain.**

## *Using radio to paint an*

00234470 DR 1
MS JEANNE LONG
CONGRESSIVE INFO SRVCS I 1JX
4520 EAST WEST HIGHWAY
BETHESDA MD 20814

## *Pay Less banking on POS system*

WILSONVILLE, Ore. — Pay Less NW has installed 300 new on-line POS registers and expects to have 3,000 in place by the end of 1986.

A major benefit of the new registers is their adaptability, according to Jim Baer, vp of data processing. "Every company has different priorities. Ours is on-line processing of bank and debit cards through direct hook-up with the bank."

Baer said that it will now take only six seconds to process a bank transaction, as opposed to a minimum of three and a half minutes. "That speeds up the checkout operations," he explained.

Hardware for the new registers is being manufactured by a company in Portland, Ore., under contact with Pay Less. Software was designed in-house.

When a debit card is used to pay for a transaction, funds are transferred electronically from the customer's account to the Pay Less account. When a credit card is used, the customer's credit is first checked electronically. Thus, losses from bad checks, poor credit, or fraudulent cards are eliminated.

Another major benefit of the register, according to Baer, is that it is software-driven (by an IBM Series One computer) and "we can program it to do anything that we want it to do without changing the machine—or even the keyboard."

Pay Less' new register records sales and inventory via an in-store computer which is on-line with the host computer for a transfer of data.

Baer would not reveal the price of the register, except to say it is less than comparable registers now on the market. He also said Pay Less has not made a decision as to whether to market the register to other retailers.

*Continued on page 56*